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ABSTRACT

Guidelines are provided to assist in the interpretation of the regulatory requirements regarding disbursement of funds to students under Title IV student aid programs. Attention is also directed to the higher education community's self-regulation initiatives regarding refund and repayment, as well as the Department of Education's regulations in this area. The section on disbursement covers the disbursement process and methods of disbursing financial aid, including disbursement of Pell Grants, Supplemental Educational Opportunity Grants, National Direct Student Loans, College Work-Study aid, and Guaranteed Student Loans. The following phases of the disbursement process are addressed: authorization of the payment of aid, assignment and application of aid to institutional charges, and payout of any remaining balances to the student. Disbursement methods that are covered include cash, payment voucher or check, or credit to a student's account. The next section covers policies and procedures relating to refunds and repayments required by changes in students' eligibility for aid. Appended are examples of refund policies that have been developed by various types of institutions, as well as case studies to provide self-learning applications. In addition, three case studies are provided that demonstrate the calculation of refunds and repayments at nonterm-based and clock-hour institutions. (SW)

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A Guide to
Disbursement, Refund, and Repayment

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

March 1984

STUDENT
FINANCIAL ASSISTANCE
PROGRAMS

GEN-84-2

Dear Colleague:

Each institution participating in the Title IV student aid programs is required to disburse funds to students in accordance with regulatory requirements. In addition, each institution is required, as a means for dealing with students who receive financial aid and later terminate their enrollment, to have policies which evaluate the student's obligations to the institution, the amount of aid that the student is entitled to retain, and the amount that is to be returned to the Title IV programs.

This monograph, A Guide to Disbursement, Refund, and Repayment, summarizes and provides guidance in the interpretation of the regulatory requirements regarding disbursement. The monograph also reiterates the higher education community's self-regulation initiatives relative to refund and repayment as well as clarifies the Department's regulations in this area.

This is the third of three monographs to be distributed between December, 1983 and March, 1984. The first of these, The Use of Automated Data Management in the Institutional Delivery of Student Financial Aid, was mailed to financial aid administrators and fiscal officers in December 1983. The second monograph, A Guide to the Repayment of Multiple National Direct Student Loans, was mailed to institutions in February 1984.

Many individuals have helped in the preparation of this publication. The primary authors are Marty Guthrie and Renee Rappaport, Assistant Directors for the Student Financial Assistance Training Program (SFATP). The effort was coordinated by Barbara J. Kay, Director, SFATP. Staff in the Office of Student Financial Assistance contributed to and reviewed the monograph.

Sincerely,

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A GUIDE TO DISBURSEMENT, REFUND, AND REPAYMENT

TABLE OF CONTENTS

Introduction 3

Section One: Disbursement
Disbursement 4
Establishing Policies and Procedures for Disbursement of Student Aid . . 4
Disbursement Process 5
Methods of Disbursing Financial Aid 9
Disbursement of Pell Grants 12
Disbursement of Supplemental Educational Opportunity Grant 14
Disbursement of National Direct Student Loans 15
Disbursement of College Work-Study 18
Disbursement of Guaranteed Student Loans 19
Documentation of Disbursement Transactions 20
Verification of Enrollment Status 21

Section Two: Refund and Repayment
Refunds 22
Establishing an Institutional Refund Policy 22
Calculation of Refunds 25
Repayments 30
Establishing an Institutional Policy 31
Collection from the Student 33

Appendices
Appendix A: Sample Refund Policies
Appendix B: Calculation of Refunds and Repayments at Traditional Institutions: Sample Case Studies
Appendix C: Calculation of Refunds and Repayments at Non-term Based and Clock Hour Institutions: Sample Case Studies

INTRODUCTION

This monograph provides information for institutional personnel on disbursement, refund, and repayment requirements for programs authorized under Title IV of the Higher Education Act of 1965, as amended. Section One, "Disbursement," summarizes and provides guidance in the interpretation of the regulatory requirements regarding the disbursement of Title IV aid. Section Two is titled "Refund and Repayment." This section reiterates the higher education community's self-regulation initiatives in this area, as well as clarifies the Department of Education's regulations relative to refunds and repayments.

Within the context of this publication, the term "disbursement" relates to the delivery of authorized aid to students and not to the flow of authorized dollars to institutions from EDPMTS by either cash advance request or letter of credit. The term "refund" relates to any money applied against institutional charges (i.e., dollars applied to the student's account) and the term "repayment" relates to cash disbursements of aid made directly to the student for use for non-institutional costs.

The final section of this monograph contains three appendices. Appendix A gives examples of refund policies which have been developed by various types of institutions. Appendices B and C include case studies to provide self-learning applications of the information presented in Section Two. Appendix B contains three case studies which demonstrate the calculation of refunds and repayments at traditional institutions. Appendix C contains three case studies which demonstrate the calculation of refunds and repayments at non-term based and clock hour institutions.

The information provided in the monograph should help the reader to:

1. Disburse student aid funds in accordance with the Title IV regulations;
2. Be aware of some of the routine disbursement problems and how to alleviate them;
3. Develop an institutional refund and repayment policy; and
4. Calculate refunds and repayments.

The Student Financial Assistance Training Program wishes to express appreciation to those of our colleagues who so willingly shared their institutional refund and repayment policies with us for inclusion in this monograph.

SECTION ONE

The disbursement of student financial aid funds is a complex process involving both the financial aid office and the fiscal office. The term "disbursement" is defined as the institutional transfer of funds awarded to a student. It is the purpose of this section to detail disbursement requirements for the Title IV student aid programs. Some of the information contained herein, however, might be useful for non-Title IV aid sources as well.

Disbursement

The disbursement process begins when aid is awarded. Aid is awarded by the financial aid office, based upon financial need and the funds that are available at the institution. A student's award is the maximum amount of money that the institution is able to offer a student for a designated period of enrollment. The student is notified by an award letter. Information on how, when and where to claim the awards may be included with the award letter. (This information should also be available as students arrive at the institution.) Depending upon institutional policy, the student may accept (or decline) all or a part of his/her awards, usually via an acceptance/declination form, and must notify the institution in writing of his/her decision.

Once aid is accepted, the disbursement process formally begins. It may be accomplished in a variety of methods which will be discussed in greater detail throughout this section.

It is important to note that regulations require that awarding and disbursing aid must be carried out independently. Wording in the General Provisions regulations, (Section 668.16(d), December 31, 1980) requires that these functions be located in two different offices. The fundamental separation here, however, is that of decision-making. Final decisions in these two functions must not be made by the same person. An institution's internal control procedures must provide for this requirement.

Establishing Policies and Procedures for Disbursement of Student Aid

Due to the complex nature of the disbursement process, it is very important that the institution set clear and uniform policies and procedures to guide the financial aid and fiscal offices. Doing so will assist the institution in complying with federal guidelines governing the Title IV aid programs. As an aid to establishing the necessary policies and procedures, the disbursement requirements common to all programs will be discussed here. Disbursement requirements specific to each program will be reviewed under the program headings.

Aid disbursement should be coordinated with the institution's billing cycle. If this is not possible, some means must be found to carry the student until his or her aid award is received. All disbursement transactions that occur must be carefully documented to provide a complete record for each student and to insure institutional accountability for aid funds.

Institutions begin billing students as early as two months before the start of classes. Although award funds may be assigned to specific charges on the student's master record, the award itself may be revised several times before classes begin. For this reason, aid should not be applied as the student's invoices for tuition, fees and housing are being prepared.

One of the major problems in the disbursement process is to achieve sufficient coordination so that institutional fiscal needs are met, students receive funds when they need them, and no overawards that occur go undetected. One way to help insure coordination is to establish a central student data base that can be used by the entire institution. This may either be housed in file folders or be part of a computer-based system. A central file insures that information in the financial aid office and fiscal office is the same; thus the potential for errors stemming from incomplete, incorrect, or inconsistent data is decreased.

A master record should be established for each aid recipient recording:

- Aid awarded, accepted, and disbursed;
- Institutional charges;
- Room and board charges;
- Refunds; and
- Other aid-related transactions.

Disbursement Process

The disbursement process consists of three phases:

- Phase One: Authorization of the payment of aid;
- Phase Two: Assignment and application of aid to institutional charges; and
- Phase Three: Payout of any remaining balances to student.

Phase One

Prior to the actual authorization of the payment of aid, the student's eligibility for payment must be verified. It is the responsibility of the financial aid office to determine that a student is registered and is carrying the minimum required number of credit hours to maintain eligibility for aid. The financial aid administrator must also verify that a student is making actual progress toward the completion of his/her educational objective.

Although federal regulations governing the Title IV programs provide the parameters for the establishment and enforcement of satisfactory progress standards at institutions, the standards are to be developed by the institution. So as institutions vary, satisfactory progress standards will vary; however, standards at all institutions will have some common elements. These elements, which enable satisfactory progress to be

434-959 O - 84 - 2

measured, include the following which were indicated in the October 6, 1983 General Provisions regulations, Section 668.16(e)(3)(i) through (C):

(i) Grades, work projects completed or comparable factors which are measurable against a norm;

(ii) A maximum time frame in which the student must complete his or her educational objective, degree, or certificate. The time frame shall be --

(A) Determined by the institution,

(B) Based on the student's enrollment status, and

(C) Divided into increments not to exceed one academic year. At the end of each increment, the institution shall determine whether the student has successfully completed a minimum percentage of work toward his or her educational objective, degree, or certificate for all increments completed. The minimum percentage of work shall be the percentage represented by the number of increments completed by the student compared to the maximum time frame set by the institution;

Please note: Based on comments received after these regulations were published on October 6, 1983, Section 668.16 (e)(3)(ii)(C) was subsequently clarified by a December 21, 1983 "Dear Colleague" letter. In lieu of a published specific percentage of completion, the institution will be required to establish a schedule designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment in order to complete the educational objective, degree, or certificate within the established maximum time frame. At the end of each increment, the institution would then be required to determine that the student had successfully completed at least the appropriate percentage or amount of work according to the schedule.

Note also that, not withstanding the response to the related comment on page 45672 of the Federal Register, the Department will allow an institution to set a maximum number of credits attempted, to be used as the functional equivalent of its maximum time frame. For example, an institution may wish to establish 5 years as its maximum time frame for a full-time student. It may then equate that maximum time frame to a specified number of hours attempted, e.g., 160 semester hours. Then, once a student has attempted 160 semester hours, he or she will be considered to have attended the institution for the maximum time allowed. The use of a maximum number of hours attempted for the maximum time frame is more workable for many institutions since the problem of frequent modification of the length of the time frame, for frequent changes in the student's enrollment status, ceases to exist.

Further, in conjunction with the use of a maximum number of credits attempted, a school may wish to set a certain required completion rate for work attempted each term or each academic year (e.g., stating that 75% of the work attempted during the academic year has to be successfully completed). This would satisfy the requirement for an incremental measurement of the student's progress and thus could be used in lieu of a schedule, as noted above.

(iii) Consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduates, graduate students, and programs established by the institution;

(iv) Specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress; and

(v) Specific procedures for appeal of a determination that a student is not making satisfactory progress and for reinstatement of aid;

In addition, such standards must conform with those of the institution's nationally recognized accrediting agency, if the institution must be accredited and if the agency has such standards. Finally, the standards must be the same or stricter than the institution's standards for students who are in the same academic program and who are not receiving aid under a Title IV program.

The preamble to the October 6, 1983 General Provisions regulations regarding satisfactory academic progress speaks to the times at which satisfactory progress must be verified. It states that "...the institution must make the determination that the student is maintaining satisfactory progress for each payment period and for institutional certification of each Guaranteed Student Loan or PLUS Loan application or Pell Grant ADS Request for Payment form." (p. 45671)

Once the financial aid office has determined that the student is registered, is carrying the minimum required number of credit hours to maintain eligibility for aid, and is making satisfactory academic progress, the financial aid office verifies the student's eligibility for payment. This information, communicated to the fiscal office, is the first phase of disbursement. The verification may be transmitted in a variety of forms ranging from manually-prepared lists to automated transfers between computer files.

On authorization, the aid funds may be charged to the appropriate fund control accounts. Although this phase may begin just prior to the start of classes, the actual disbursement should not begin until the beginning of the term. This includes the on-campus registration period for the semester, trimester or quarter. It does not include the mail-in registration if this occurred in the previous semester, trimester or quarter.

Phase Two

The second phase in the disbursement process is the application of aid to institutional charges. The institution should establish a priority order for assigning the aid. First priority in assignment might be tuition and fees, followed by room and board, with the remaining balance paid out directly to the student.

The institution may also wish to establish a policy which states in what order (i.e. programs) aid is credited to a student's account. (Some types of aid may be restricted to covering tuition and fees only or institutional charges only. Such restrictions may preclude cash payments to students.) This information could be useful in determining the composition of a student's cash payment in the event of withdrawal and the necessity to repay funds received. This problem is dealt with in more detail in the discussion of repayments in Section Two of this publication.

Phase Three

Prior to completing the third phase of the disbursement process, that of paying the remaining balance to the student, the financial aid office should again make certain that the student is registered for the required number of hours. Federal regulations (January 19, 1981 NDSL, CW-S and SEOG regulations, Sections 674.9, 675.9, 676.9, respectively; and December 30,

1980 Pell Grant regulations, Section 690.4) require that institutions have a procedure for determining that a student is eligible for payment prior to disbursement. When at least half-time status is required, the minimum requirement at institutions with standard academic terms is 6 credit hours per semester, trimester or quarter. At schools which measure progress in clock hours, the minimum requirement is 12 clock hours per week.

If the student's enrollment status is in order, the actual disbursement of funds may be accomplished. This may be done in any of several methods (or combinations):

- Check;
- Payment voucher; or
- Cash.

At some point during phase two or phase three in the disbursement process, the student should be given some variation of a "disbursement advice form." The form should state:

- The amount and type of aid received;
- The amount of aid (if any) applied to tuition, fees, room or board charges; and
- The amount of aid remaining to be paid to the student.

All institutionally controlled aid should be included on one form. It should be noted that such a form can fulfill the receipt requirements for NDSL and federal grant funds credited to a student's account.

The timing of disbursements is mandated by federal regulation. The academic year and payment period for each program of study must be clearly defined in writing. The institution's policy on the frequency of disbursements within a payment period must also be clearly defined in writing. (January 19, 1981 NDSL, CW-S and SEOG regulations, Sections 674.16; 675.16 and 676.16 respectively; and December 30, 1980 Pell Grant regulations, Section 690.3.)

Federal regulations regarding the audit trails for the Title IV programs contain specific requirements related to disbursement. An institution is required to retain any cancelled checks as supporting documentation for all payments made by check. In addition, an institution must retain supporting documentation for all payments made from a federal account to the student's account via credit voucher. (January 19, 1981 NDSL, CW-S and SEOG regulations, Sections 674.16, 674.19; 675.16, 675.19; and 676.16, 676.19 respectively; and December 30, 1980 Pell Grant regulations, Section 690.78.)

Methods of Disbursing Financial Aid

As stated earlier, actual disbursement of student financial aid funds can be accomplished by one of several means, i.e., cash, payment voucher or check, or credit to a student's account. When establishing a method of disbursement, there are several variables that an institution may wish to

consider in order to choose the method that best suits its needs and resources. Some of these factors include the following:

- The number of students who receive Title IV aid;
- The capabilities of the institutional system of student accounts;
- The personnel resources available in the financial aid and fiscal offices;
- The manner in which checks and balances may be instituted in the system; and
- The status of institutional automation.

Cash

If an institution disburses student aid funds in cash, additional security and internal control measures are necessary. When disbursing funds in cash, it is advisable to use a separate cash voucher, signed by the student and processed by the cashier, as a cash-out item. Provisions should also be made to accommodate student requests for payment in the form of a check.

Check

Funds may also be disbursed via check. Using this method, the financial aid office, after authorizing the award, completes a check request (or some other form of a request for payment) and forwards it to the business office. The check is written and forwarded to the cashier's office where it may be picked up by the student. When it is picked up, the student may apply funds toward institutional charges. If a student requests cash, an institution using the check-writing method may allow the student the option of cashing the check at the time it is picked up.

Disbursing funds by check has several advantages:

- The institution does not have to keep large amounts of cash on hand during the disbursement period;
- Errors in counting and making change are eliminated;
- It is quicker to hand a student a check than to count out cash;
- The student does not have a large amount of cash at one time; and
- Proof of disbursement is provided which may be useful in the event of litigation in NDSL cases.

Payment Voucher

An institution which has no system of student accounts or open student receivables may wish to disburse funds via a payment voucher. After a

student's award is authorized, the financial aid office prepares a voucher. It is generally a multi-part form which the student brings to the cashier's office along with his/her bill. The student signs the voucher in the presence of the cashier and the amount on the voucher is applied toward the student's institutional charges. If the student has paid all charges prior to receiving the voucher, it could be sent directly to the business office where a check could be prepared for the full amount.

Credit to Student's Account

Most of the funds awarded a student under the Title IV programs may be applied to the student's account. A notable exception to this is the federal share of CW-S wages. Such amounts may not be applied to the student's account but must be paid directly to the student. Aid funds applied to the student's account should cover educational or educationally-related charges due the institution including but not limited to:

- Tuition and fees; and
- Room and board.

It should be noted that NDSL and SEOG recipients must be given a receipt when these funds are credited directly to their accounts. According to the Department of Education's May 12, 1981 Q & A Newsletter, award letters are considered sufficient receipts for both NDSL and SEOG. However, the award letters must state that the awards will be credited to the student's account and the award letters must be signed by the student.

Although the federal share of CW-S wages may not be credited to a student's account, the institutional portion of CW-S wages may be paid in this manner. CW-S recipients who earn the institutional share of their CW-S wages in the form of tuition, fees, services, or equipment (a non-cash contribution) must be given a receipt. This receipt must list the dollar amount of the items earned through the institution's share of their CW-S wages. Such receipts must be distributed before the close of the student's final payroll period.

This method of disbursement is possible at an institution which is automated and has a system of student accounts. The advantages of this system include:

- Assurance that Title IV funds are being used to cover educational costs;
- There is no check to be lost or misplaced;
- Data remains constant once entered into the computer system;
- Less need for large amounts of cash on hand; and
- If aid is authorized by the financial aid office and disbursed by the business office, the system is in compliance with the federal regulations requiring the separation of those functions.

Disbursement of Pell Grants

There are two types of disbursement under the Pell Grant Program: the Alternate Disbursement System (ADS) and the Regular Disbursement System (RDS).

Alternate Disbursement System

Under the Alternate Disbursement System (ADS), Pell Grant funds are disbursed by the Department of Education rather than the institution. Most institutions elect ADS when they have no financial aid office or they have a very small number of Title IV aid recipients.

Under ADS when the student enrolls and presents his/her Student Aid Report (SAR), the institution requests that the student complete ED Form 304, the Request for Payment of a Pell Grant Award. The institution then certifies that the student is eligible, is making satisfactory progress, owes no Title IV refund and is not in default on any loan. The student is responsible for forwarding the form to the Department of Education, where an award is calculated, and the Department disburses the money directly to the student. The institution does not receive a direct payment.

Regular Disbursement System

Under the Regular Disbursement System (RDS), Pell Grant funds go directly to the institution and the institution disburses the funds to the student.

At an RDS institution, Pell Grant funds may be disbursed in each payment period at the times, and in the installments, that best meet the student's need. The payment period at an RDS institution is determined by the type of academic term that is used and the manner in which progress is measured.

If an institution is term-based, then the payment period is the semester, trimester, quarter or other academic term. If an institution is non-term based, the regulations (December 30, 1980 Pell Grant regulations, Section 690.3(d)(1)) state that there must be two payment periods for each academic year, or for each program which is less than an academic year. The payment period would be the period between the beginning and the mid-point and between the mid-point and the end of the academic year. If an institution measures a student's progress in clock hours, a student may not be paid for a subsequent payment period until he/she completes the hours of the previous payment period for which he/she has already been paid.

In the October 6, 1983 Federal Register, two changes in the Pell Grant regulations were published which concern payment periods and disbursement. The first is contained in Section 690.3(d)(5) and changes the definition of a payment period for part-time students at RDS institutions which do not use academic terms. Previously, the definition of a payment period for a full-time student differed from the payment period definition for a part-time student. This difference made it necessary to make twice as many payments to a part-time student as compared to a full-time student. Under the revised regulations, the definition of a payment period is the same for part-time students and full-time students, thus reducing the number of payments an institution must make to part-time students while preserving

the right of an institution to have more than the minimum of two payment periods in an academic year.

The second change concerns the calculation of Pell Grant awards for payment periods which crossover award years and is contained in Section 690.66. Previously, if a payment period occurred in two award years, institutions had the option of placing the entire payment period in either award year; however, the placement of a payment period had to be applied consistently to all Pell Grant recipients enrolled in the same program who began a payment period on the same day. Under the new regulations, an institution may make a separate determination of award year for each Pell Grant recipient who begins a payment period which occurs in two award years. This issue is pertinent to the current discussion because if a payment period is designated to be in the second award year, payment may not be disbursed until after July 1 of that year even though the payment period may begin prior to July 1. In making a determination of the award year in which the payment period occurs, institutions will want to consider how disbursements after July 1 might impact their students. For example, if an institution enrolls students on a weekly or monthly basis, and bills them accordingly; then, a student who enrolls in June and does not receive his/her Pell Grant disbursement until after July 1, may be unable to pay for his/her classes at the time of enrollment. It should also be noted that, in determining in which award year a payment period may occur, the regulations mandate that if more than six months of the payment period occur in an award year, the payment period shall be placed in that award year.

The earliest an institution can directly pay Pell Grant funds to a registered student is 10 days before the first day of class in a payment period. The earliest the Pell Grant can be credited to a student's account is three weeks before the first day of classes. However, if the student withdraws, or is expelled before classes begin, these funds must be returned to the Pell Grant account. The institution may not, however, pay a student until he/she is registered for that payment period.

The institution may pay a student either directly by a check or by crediting the student's account. The institution must notify the student how much he/she will be paid. If the institution pays the award directly to the student, the student must be notified when the funds will be available. If after 15 days the student has not picked up the check, the institution may credit the student's account for any amount owed the institution. However, if funds are credited for this reason and not picked up, the institution must make available to the student any balance remaining for 15 days after the date the student's enrollment for the award year ends. After this 15-day period ends, the student forfeits the right to receive the proceeds of the check. However, if the institution chooses, it may, through the next payment period (even if this occurs in the next award year), pay the student who did not pick up the check. It is important to note that even though the actual disbursement may be in the next award year, it is to be paid from and recorded against the award year for which the SAR was submitted.

If a student attended at least one day of classes and submitted a valid SAR while enrolled, but at the time of disbursement has withdrawn or is no longer carrying the minimum number of credit hours to be eligible; the

434-959 0 - 84 - 3

school may pay the student only the amount that could have been used for educationally-related expenses before the student became ineligible.

It is possible for a delay to occur in the payment of Pell Grant funds to an institution, so that some students may complete a program or the academic year before receiving the Pell Grant award. In this situation, the institution must, as soon as it receives its funds, pay all those students who submitted a valid SAR to the financial aid office by the deadline.

The institution may pay funds due a student for any completed period in one lump sum. The student's enrollment status will be determined according to work already completed.

Records Requirement

The Pell Grant Program requires that accounting records of specific disbursements be maintained. The regulations (December 30, 1980 Pell Grant regulations, Section 690.83) require that cancelled checks be retained as documentation of disbursements by check and that institutions have documentation of payments made directly to students accounts.

In addition, the institution must keep adequate records indicating (for each aid recipient):

- Name, social security number and amount paid;
- The amount and date of each payment;
- The amount and date of any overpayment that has been restored to the program account;
- The student's SAR;
- The cost of attendance;
- How the enrollment status was determined; and
- The enrollment period.

These records and the accounting records for the award year must be kept for five years after the institution submits the June 30 Institutional Payment Summary (IPS) for the year. The institution must also keep any record involved in a claim or involved in an audit question.

Disbursement of Supplemental Educational Opportunity Grants

A student's SEOG award should be disbursed equally according to the number of semesters, trimesters, quarters or other terms in the academic year. The student may not receive more than half of the award before the mid-point in the academic year. If an institution is not term-based, the students must be paid at least twice during the academic year: once in the beginning and once at the mid-point. Within each payment period, institutions may make disbursements at the times and in the installments that best meet the student's need. If the SEOG award is less than $301 dollars, then, whether an institution is term-based or not, only one

payment per award year is necessary. It should be noted that a six-month vocational training program is equivalent to a full academic year for SEOG disbursement purposes.

SEOG awards may be disbursed directly to a student by check, or can be credited to a student's account. SEOG recipients must be given a receipt when funds are credited directly to their accounts. An award letter is considered a sufficient receipt if it states that the award will be credited to the student's account, and it is signed by the student.

Records Requirement

Records requirements for the SEOG programs require that institutions establish and maintain separate accounts for federal programs and, for each SEOG recipient, identify:

- The account and status including separation of initial and continuing grant amounts;
- The eligibility of each aided student;
- The amount of need and how it was met; and
- The financial aid administrator who made the need determination.

The institution must keep all SEOG records for five years after the institution submits its Fiscal Operations Report for that year, unless a record is involved in an unresolved audit.

Disbursement of National Direct Student Loans

A student's National Direct Student Loan is portioned out equally according to the number of semesters, trimesters, quarters or other terms in the academic year. The student may not receive more than half the award before the mid-point. If an institution is not term-based, the students must be paid at least twice during the academic year: once in the beginning and once at the mid-point. Within each payment period, institutions can make disbursements at the times and in the installments that best meet the student's need. (Section 674.16, January 19, 1981.) If the NDSL is less than $301 dollars, only one payment per award year is necessary. It should be noted that a six-month vocational training program is equivalent to a full academic year for NDSL disbursement purposes.

NDSL funds are to be initially disbursed at the beginning of the semester, trimester or quarter. This includes the on-site registration period for the semester, trimester or quarter. It does not include the mail registration period if this occurred in the previous semester, trimester, or quarter. NDSL funds cannot be applied until the student signs for an advance and completes any other required documents.

The loan may be disbursed directly to the student borrower in the form of a check, or it can be credited to the student's account. In accordance with federal regulations, as mentioned previously, if the student's account is credited, then the institution must give the borrower a receipt. The disbursement advice form may act as a receipt for this purpose. Regardless

of the method chosen, the institution must keep cancelled checks or vouchers to document payment.

Disclosure Requirements

Before disbursing an NDSL award, the institution must make the borrower aware of his/her rights and responsibilities and obligation to repay the loan. At many institutions, this is accomplished through a "Statement of Borrower Rights and Responsibilities." To satisfy documentation required by regulations, such a form would include:

- The principal amount of the loan;
- The stated interest rate on the loan;
- The yearly and cumulative maximum amounts that may be borrowed;
- An explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;
- A statement as to the minimum and maximum repayment term which the institution may impose and the minimum monthly payment required by law;
- An explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;
- A statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty and a summary of the circumstances in which repayment of the loan or interest that accrues on the loan may be deferred and a brief notice of cancellation provisions for specified military service;
- A definition of default and the consequences to the borrower, if the borrower defaults, including a statement that the default may be reported to a credit bureau or credit reporting agency; and
- The effect of accepting the loan on the eligibility of the borrower for other forms of student assistance.

In addition, the enactment of the Student Loan Consolidation and Technical Amendments Act of 1983 (P.L. 98-79) requires the following information to be provided to the student borrowers:

- The amount of any charges collected by the institution at or prior to the disbursal of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower; and
- An explanation of any cost the borrower may incur in the making or collection of the loan.

All of the items stated above must be provided in writing to the borrower at or prior to the time the loan is made:

- As part of the application material provided;
- As part of the promissory note evidencing the loan; or
- On a separate form.

Notes

An open-end note does not contain the specific loan amount on the face of the note. A schedule of advances is made part of the note. At the time of each disbursement, the borrower enters the amount received, the date and his or her signature in the schedule of advances. The advantage of an open-end note is that the institution does not have to execute a new note each time an advance is made, unless amendments to the law change repayment terms. Before an institution elects to use an open-end note, it should consider:

- The time necessary to retrieve the note from the file prior to each advance;
- The time necessary to manually add the loan advance to the note; and
- The security necessary for the note until it is returned to the file.

A closed-end note generally covers one academic year or one award period. The specific loan amount appears on the face of the note. The loan amount may be disbursed in increments, however, and the borrower may have to sign and date each disbursement. The advantage of the closed-end note is that this note affords less chance for an omission error, particularly since these funds are disbursed by an office separate from the financial aid office.

On both open and closed-end notes, the student borrower's signature should appear at the end of the loan terms thus signifying that the borrower accepts the terms. The student also signs for each advance, including the first.

It is important to differentiate between a loan and an advance. A loan is the amount that the institutional official has approved for the borrower for the academic period. An advance is the amount of the disbursement. On an open-ended note each advance must be noted by the date and amount and signature of the borrower on the schedule of advances.

Records Requirement

In addition to the promissory note and the Statement of Borrowers Rights and Responsibilities, the institution must keep the disclosure statement, repayment schedule, any repayment changes, deferment documents, cancellation records and documentation of all the due diligence procedures in the student's file. The file must be retained for five years after submission of the Fiscal Operations Report for that year. Loan repayment

records including cancellation and deferment requests, must be retained for at least five years from the date of the loan's assignment or final repayment or cancellation. Records unresolved in audit must be also retained.

Disbursement of College Work-Study

The requirements for the method and form of payment for College Work-Study (CW-S) recipients differ from the disbursement requirements of the other Title IV programs. College Work-Study wages are comprised of the federal share and the institutional share. Students must be paid the federal share of their College Work-Study wages directly by check or similar instrument that the student can cash on his or her own endorsement at least once a month. The institution should have proof that the student received the payment, in the form of cancelled checks, available for audit purposes. If the student earns his/her institutional share of CW-S wages in the form of tuition, fees, services, or equipment (a non-cash contribution) then he/she must be paid directly or receive a receipt listing the amount earned.

The institution may use any payroll period, provided the student is paid at least monthly. For reporting and control purposes, it is preferable to distinguish the CW-S payroll from other payroll accounts. CW-S wages should be entered on a separate voucher or, if listed on the institution's general payroll account, should be grouped separately.

The payroll voucher should include the following:

- The institution's name and address;
- The beginning and ending date of the payroll;
- The student's name;
- The student's job;
- The number of hours worked;
- The hourly wage;
- The gross earnings;
- Monies withheld for federal, state, county or city taxes;
- Non-cash payments;
- Net earnings; and
- Check number.

The student must also submit verification of satisfactory work performance in the form of a statement signed by an official of the institution or off-campus agency. (Section 675.19(b)(2)(i)(B), January 19, 1981.)

Records Requirement

In addition to the payroll voucher, the receipt for non-cash contribution, and the verification of satisfactory performance, the items mentioned earlier (i.e., the student's account and status) must be retained in the student's file for five years after the institution submits the Fiscal Operations Report for that year. Files that are involved in unresolved audit questions must be retained until the audit is resolved.

Disbursement of Guaranteed Student Loans

Guaranteed Student Loans can be disbursed in a variety of forms. However, even before the GSL is made, the institution must certify the student's loan application, verifying that the student is enrolled or accepted for enrollment on at least a half-time basis. The institution must provide the cost of attendance data, the period of time of the loan, and an estimate of other financial aid to be awarded for the loan period. Generally, the lending institution will send a check, made payable to the educational institution and the student borrower, directly to the educational institution where the student is enrolled or plans to enroll. The school may either endorse the check and deliver it to the student, or obtain the student's endorsement prior to its own endorsement, retain that portion of the loan to pay any educational costs (i.e., tuition and fees) the student may owe and then disburse the remaining balance to the student. (See Section 682.607, GSL regulations). In either case, the educational institution must deliver the check to the student promptly. If the educational institution receives the check before the student enrolls, the institution must hold the check, then follow the above procedures once the student enrolls.

The lending institution may also send a check made payable to the institution and the student directly to the student, or make the check payable to the student only. In the case of a direct payment to a student the lending institution or the guarantee agency is required to notify the school of the amount of the loan that has been insured and of the name of the lender. The method of check disbursement is usually controlled by guarantee agency policy.

It is very important for the school, if it must process the check at any time, to verify that the student is enrolled at least half-time.

If the student fails to enroll on a least a half-time basis, or fails to pick up his/her check, the institution must advise the lender and return the check within 30 days.

The Guaranteed Student Loan check may be issued for the entire amount to be loaned for the academic period, or the lending institution may make installment payments (i.e., payments made at the beginning of each academic period).

Records Requirement

The institution must maintain adequate records and document the following information for each student;

- The name and address of the borrower;

- The name and address of the lender;
- The amount of the loan;
- The academic period the loan covers;
- The data used to determine the cost of attendance;
- The amount of the tuition and fees paid for that period;
- The date the student paid the tuition and fees;
- If loan is disbursed through the school, the date the school received the loan check;
- If the loan is disbursed through the school, the date the check is given to the student;
- If the school is a co-payee, the date the school endorsed the check;
- If the school is a co-payee and the student endorsed the check prior to the school endorsement, the date of the disposition of the loan; and
- The record of the student's job placement, if the student uses the institution's employment placement service.

The institution must retain these records for five years after a student graduates, withdraws, or fails to enroll on at least a half-time basis.

Documentation of Disbursement Transactions

As indicated throughout this section, federal regulations mandate certain record requirements. All disbursement transactions must be documented. The institution must maintain adequate records to provide a clear audit trail.

There are some general record requirements for all of the campus-based programs. The institution must keep general accounting ledgers and related accounts independent of other institutional financial activities. These records must:

- Identify each student's account and its status, i.e., amounts awarded, disbursed, etc. (For SEOG, this includes initial and continuing grant amounts);
- Be reconciled at least monthly;
- Show the amount of need and how it was met;
- The student's eligibility;
- Identify the aid administrator who determined the student's need; and

- Contain a copy of the acceptance or declination of an SEOG or CW-S award.

In addition, there are specific requirements for the NDSL and CW-S programs. For the NDSL Program, records must include, for each borrower, a repayment history which must state:

- The date and amount of each repayment;
- The amount of each payment applied to principal and the amount applied to interest;
- Documentation of all contact with the borrower made in the collection of an overdue loan; and
- Copies of all correspondence with the borrower or endorser, except for routine billing and form letters.

For the CW-S Program, records must contain:

- A signed certification that the work was performed and whether it was performed satisfactorily, and that the student earned the amount being paid;
- A copy of the student's time sheet;
- A payroll voucher that indicates all disbursements; and
- A record of non-cash contribution to show whether an institution paid its share of the student's earnings in the form of services and equipment.

Verification of Enrollment Status

After registration is complete and classes begin, the enrollment status of students who have been awarded financial aid must be monitored. The financial aid office and the fiscal office should verify with the registrar's office that such students are actually enrolled, are attending classes, and are registered for the minimum required number of credit hours.

Enrollment monitoring should not be considered only part of the concluding phases of the disbursement process and should be on-going throughout the term. This procedure verifies that students continue to qualify for aid awarded and disbursed. Aid awards to those students who did not register must be cancelled. Aid awards made to students who did not register for the minimum required number of credit hours, or who withdrew, dropped out or were expelled will also require review and may require adjustment. The review and adjustment process is the topic of the next section of this publication.

SECTION TWO

To receive aid from the Title IV aid programs, students must meet general eligibility criteria set forth in the regulations. One of the criteria indicates that students must maintain a specific enrollment status to continue aid eligibility. If aided students withdraw, drop out, or are expelled, their eligibility for aid may change.

Each institution participating in the Title IV aid programs is required, as a means of dealing with such occurrences, to have policies which evaluate the student's obligations to the institution, the amount of aid that the student is entitled to retain, the amount that is to be returned to the Title IV programs, and the amount that is returned to non-Title IV aid programs. The process of this evaluation of refunds and repayments is the topic of this portion of this publication. In this regard, the term "refund" relates to any money applied against institutional charges (i.e., dollars applied to the student's account) and the term "repayment" relates to cash disbursements made directly to the student for assistance with non-institutional costs.

Refunds

For students who receive financial aid and later terminate their enrollment (e.g., drop out, withdraw, or are expelled), and who had a portion of their Title IV financial aid applied to their institutional charges, the regulations require institutional review to determine what funds, if any, are to be refunded. In this context, for purposes of Section 668.21 of the General Provisions regulations, the term "refund" may be defined as the amount paid for institutional charges by aid and/or cash payments minus the amount retained by the instution for the student's actual period of enrollment. If all or a portion of the refund is comprised of financial aid funds, the applicable portion of the refund must be attributed to the appropriate Title IV programs. This does not mean to imply that, if the student did not receive financial aid funds, there is no need to determine if there is a refund. In such an instance, the calculated refund would be returned to the student; however, a detailed discussion of this topic is beyond the scope of this publication.

Establishing an Institutional Refund Policy

The institution should have a refund policy which applies to all of its students who receive aid and terminate their enrollment during the term. It must be a written policy; it must be fair, equitable, and uniformly applied; and it must be disseminated to currently enrolled and prospective students.

The regulations governing the Title IV programs spell out the formulas to be used to determine the portion of the refund due the Title IV programs. However, the regulations do not specify how that portion of the refund is to be allocated among the various programs except for the following

statements which appear in Section 668.21(b)(1) of the December 31, 1980 General Provisions regulations:

> "The institution shall develop written policies allocating the Title IV portion of the refund to the various Title IV programs from which the student received aid. These policies shall be applied on a consistent basis to all students receiving Title IV funds."

Each participating institution needs to develop two policies. The first relates to the amount of the refund due to students who complete only a part of the academic term for which they were charged. The second policy must address how refunds are to be allocated among the programs from which the student received aid. The only restriction in the regulation states that:

> "The portion of a refund allocated to a program may not exceed the amount a student received from that program." (Section 668.21(b)(2) December 31, 1980 Federal Register.)

It is anticipated that the General Provisions will be further clarified indicating that no portion of the refund may be allocated to the College Work-Study Program.

Requirements of an Institutional Refund Policy

The institution's refund policy must conform with specific standards published by its nationally recognized accrediting agency. If no such standards exist, the institution must adopt either:

1. The specific refund policy standards in Appendix A to Section 682.608; or

2. Specific refund policy standards set by another association of institutions of postsecondary education and approved by the Department of Education.

In an effort to lessen the regulatory burden on institutions, the postsecondary education community is developing guidelines in several areas of mutual concern. The National Association of College and University Business Officers (NACUBO) established a set of standards on fair and equitable refund policies that was accepted by the Department of Education for use in the GSL program. These were published as Appendix A to 34 CFR Part 682 in the January 16, 1981 Federal Register. The standards are appropriate for all Title IV programs.

The complete set of standards was reprinted in the Federal Register. A refund policy including at a minimum numbers 6, 7 and 8 was considered by the Secretary of Education to be a fair and equitable school refund policy.

The guidelines, in brief, are as follows:

1. The governing board of the institution should review and approve the schedule of all institutional charges and refund policies applicable to students.

2. Institutions should seek consumer views in the process of establishing and amending charge and refund structures.

3. Institutions should publish a current schedule of all student charges, a statement of the purpose for such charges, and related refund policy and have them readily available, free of charge, to current and prospective students.

4. Institutions should clearly designate all optional charges as "optional" in all published schedules and related materials. Clearly, charges that are mandatory and charges that are optional must be plainly differentiated in all printed materials.

5. Institutions should clearly identify charges and deposits that are nonrefundable as "nonrefundable" on all published schedules.

6. Institutions should refund housing rental charges, less a deposit, so long as written notification of cancellation is made prior to a well-publicized date that provides reasonable opportunity to make the space available to other students.

7. Institutions should refund board charges in full, less a deposit, if written notification of cancellation is made prior to a well-publicized date that falls on or before the beginning of the term of the contract. Subsequent board charges should be refunded on a pro rata basis less a withdrawal fee.

8. The institution's tuition refund policy for an academic period should include the following minimum guidelines:

    a. The institution should refund 100 percent of the tuition charges, less a deposit fee, if written notification of cancellation is made prior to a well-publicized date that falls on or before the first day of classes.

    b. The institution should refund at least 25 percent of the tuition charge if written notification of withdrawal is made within the first 25 percent of the academic period.

9. The institution should assess no penalty charges where the institution, as opposed to the student, is in error. The

institution should make refunds in cases where the institution has assessed charges in error.

10. Institutions should advise students that any notification of withdrawal or cancellation and requests for refund must be in writing and addressed to the designated institutional officer.

11. Institutions should pay or credit refunds due on a timely basis.

12. Institutions should publicize, as a part of their dissemination of information on charges and refunds, that an appeal process exists for students or parents who feel that individual circumstances warrant exceptions from published policy. The informational materials should include the name, title, and address of the official responsible.

It is important that institutions understand the necessity for separate policies as follows:

- The policy governing the determination of the amount of refund due a student who completes only a portion of a term for which he/she has charged; and

- The policy regarding the allocation of refunds among the programs.

It is also necessary for these policies to be consistently applied. Similar applicant circumstances should be treated in the same manner.

As an aid in developing and constructing an institutional refund policy, samples of refund policies at different types of institutions appear in Appendix A. Keep in mind that the determination of an institutional refund policy is, to a degree, a subjective activity. While certain policies and procedures are effective at one institution, they may not be effective at another. These samples are provided for illustrative purposes only.

Calculation of Refunds

To calculate the amount of refund due the Title IV programs, the institution must know:

- The institutional refund policy;

- An itemization of the student's specific charges;

- The student's termination date;

- The student's financial aid awards; and

- The amount of financial aid applied against institutional charges.

The actual calculation procedure involves four steps:

- Determine the dollar amount of the refund;
- Determine the portion of the refund to be returned to Title IV programs;
- Allocate the refund among the Title IV programs from which the student received aid (not to exceed the amount disbursed); and
- Allocate the remaining portion of the refund.

Step One - Determination of refund amount

This step requires that the amount of the refund be determined according to the institution's refund policy. (Figures 1 and 2 provide examples of credit hour and clock hour institutional refund policies respectively.) The amount of tuition and fees and room and/or board (if contracted with the institution) that the student actually was or will be charged for the portion of the term which he/she attended must be calculated. This amount will be subtracted from the total of the student's institutional charges that have been paid for the term. The result is the amount of the refund.

Figure 1: Sample refund policy for a credit hour institution

- Tuition and fees are refunded according to the following schedule:

Before the end of the registration period:	100%
Within the first week:	80%
Within the second week:	60%
Within the third week:	40%
Within the fourth week:	20%
After the fourth week:	0

- Institutionally-contracted room and board are refunded on a pro-rata basis of 15 weeks per term.

The following are applicable to the repayment recalculation:

- Living expenses (including off-campus room and board) are prorated based upon a 15 week term (30 week academic year).
- Half of the academic year allowance for books, supplies and miscellaneous expenses is considered to be used at the beginning of each term.

Figure 2: Sample refund policy for a clock hour institution

- Tuition is refunded based on the percentage of clock hours completed relative to the following schedule:

% clock hours completed	% total tuition retained by institution
0	0%
1 - 4.9%	20%
5 - 9.9%	30%
10 -14.9%	40%
15 -24.9%	45%
25 -49.9%	70%
50% and above	100%

- The one time fee of $100 is nonrefundable.

The following are applicable to the repayment calculation:

- Living expenses are prorated based upon the length of time the student attends. If a student attends any portion of a week, the entire week is counted for purposes of proration.
- Books, supplies and miscellaneous expenses are considered to be incurred equally at the beginning of each payment period (i.e., if there are two payment periods, one-half would be incurred at the beginning of each payment period).

Step Two - Determination of Title IV portion

Step two in the refund calculation requires chat the institution determine what portion of the refund (as calculated in step one) must be returned to the Title IV programs. This is accomplished by multiplying the amount determined in step one by the formula in Section 668.21(a)(2) of the December 31, 1980 General Provisions regulations. The formula determines the fraction to be used. It is displayed in Figure 3 and illustrated in Figures 4 and 5:

Figure 3: Refund formula

$$\frac{\text{Total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{Total amount of aid (minus work earnings) awarded for the payment period.}}$$

Total amount of Title IV aid would include any Pell Grant, National Direct Student Loan, Supplemental Educational Opportunity Grant, Guaranteed Student Loans and PLUS loans as well as State Grants which include State Student Incentive Grant funds. Although College Work-Study is a Title IV program, it is excluded from the formula because of the fact that the student must be paid for hours worked.

Figure 4: Credit hour example

Amount of refund:	$1,690
Title IV aid:	$2,619
Total aid:	$3,019

$\frac{\$2,619}{\$3,019} = 87\%$

$1,690 x .87 = $1,470

Title IV portion of refund: $1,470

Figure 5: Clock hour example

Amount of refund:	$ 460
Title IV aid:	$1,988
Total aid:	$2,588

$\frac{\$1,988}{\$2,588} = 77\%$

$460 x .77 = $354

Title IV portion of refund: $ 354

A payment period in the Pell, NDSL, SEOG, and SSIG programs is considered to be "a semester, trimester, or quarter" or for an institution not using those academic periods, "the period between the beginning and the midpoint or between the midpoirt and the end of the academic year."

In regards to these definitions, the GSL and PLUS programs pose some special problems. In the context of GSL and PLUS, the term payment period is generally thought of as the loan period itself. In spite of how the loan may actually be disbursed, as a guideline for consistency in the application of the formula only, institutions might use in the formula, that portion of the GSL that is proportionate to the payment period as defined for the other Title IV programs. For example, if during the Fall, a student received a $2,500 GSL intended for use in the Fall and Spring terms and then withdrew during the Fall term, the institution might use $1,250 in the refund formula. The specifics of the maximum amount which may be attributed to GSL in such a case will be discussed in step three below.

It should be noted that if the institution is participating in the Pell Grant Program under the Alternate Disbursement System, then any Pell Grant funds awarded would be excluded from both the numerator and the denominator of the equation. Total aid, i.e., the denominator of the equation, would

include any institutional scholarships, vocational rehabilitation, state aid, etc. It is important to remember that payments made by the student or the student's parents toward institutional charges are not included in the refund formula. This is because the family contribution is considered to be "used" before student aid. (However, in the attribution of the refund, it is possible that a portion may be allocated to the student.)

Step Three - Allocation of refund to Title IV programs

Step three involves the allocation of the refund due the Title IV programs among the programs from which the student received aid. This allocation is done according to institutional policy. (See Figures 6 and 7 for examples.) The policy covering this area must be applied on a consistent basis to all students receiving Title IV funds. (As noted earlier, CW-S funds are excluded from the refund formula calculation because students must be paid for work they perform. There is no regulatory prohibition regarding the attribution of refunds to CW-S; however, it is anticipated that the General Provisions regulations will be further clarified indicating that no portion of the refund may be allocated to the College Work-Study Program.)

Figure 6: Sample allocation policy for a credit hour institution
The institution's allocation policy is as follows:

- 1st to NDSL
- 2nd to SEOG
- 3rd to GSL
- 4th to Pell Grant
- 5th to State Grant (includes SSIG funds)
- 6th to Institutional scholarship
- 7th to Student/family

Figure 7: Sample allocation policy for a clock hour institution
The institution's allocation policy is as follows:

- 1st to SEOG
- 2nd to NDSL
- 3rd to GSL
- 4th to Pell Grant

Once again, some discussion about GSL refunds is appropriate. It should be noted that Section 668.21(b)(3) of the December 31, 1980 General Provisions regulations contains a reference to the GSL and PLUS programs which indicates that the portion of a refund allocable to GSL or PLUS shall be returned to the student's lender. This reference does not mean that the refund must first be allocated to GSL or PLUS, or that the formula in Section 682.610(b)(2) should be used in place of the formula delineated in step two above. Rather, if, according to the institution's reallocation formula, a refund is attributed to GSL or PLUS, it must be returned to the student's lender.

The question now becomes, if the institution attributes a portion of the refund to GSL, what is the maximum amount attributable to GSL? Is the institution bound by the amount included in the formula in step two above or can the institution refund up to the maximum amount received by the student and paid to the institution to satisfy institutional charges? In spite of what was used in the formula, the institution can refund to the lender up to the full amount received by the student and paid to the institution for satisfaction of institutional charges. Any GSL funds not paid to the institution for this purpose are presumably part of cash

disbursed to the student to be used for non-institutional costs and are discussed in the repayment section of this monograph.

If funds are returned to the NDSL Program as a result of the application of the refund formula, certain adjustments are recommended in terms of the promissory note. If a refund to NDSL is made within the same award year, it is considered a reduction in the amount lent and the note should be revised to reflect the decreased amount. The student should initial the changes. If the NDSL refund is made in a subsequent award year, it would be considered a reduction in loan principal (or pre-payment), and the promissory note would require no adjustment.

In developing an attribution policy, the institution will likely want to take into consideration several factors. These include the need or demand for particular types of aid and the composition of the student body among other things. The institution may choose to return funds to their fixed allocation programs (i.e., NDSL or SEOG) rather than to the GSL or Pell Grant programs. In determining the priority among the campus-based programs, if the institution's SEOG fund is low but ample NDSL funds exist, the institution might choose to refund to SEOG first. Other possibilities include: refunding to GSL first, as it is often viewed as the "least" desirable form of aid or refunding to loan programs (NDSL or GSL) first, if the composition of the student body is such that students who drop out are unlikely to have the means to repay loans. Also, if SSIG funds are part of the Title IV funds, there may be a prescribed way of dealing with SSIG funds according to the state/institutional agreement. It should be noted that Section 668.21 of the General Provisions regulations does not prohibit the return of Title IV refunds to the SSIG Program according to the aforementioned agreement and the institution's written policies.

These factors are merely presented for consideration. It is not the intent of this discussion to recommend or suggest specific attribution policies, but merely to provide examples.

Though not required by federal regulations, after allocating the refund to the Title IV programs, the institution will want to determine how to distribute any remaining refund. This procedure should be written into the attribution policy. This step would be necessary only if the student received aid from non-Title IV sources or if the student (and/or the student's family) contributed funds for the satisfaction of institutional charges. Any remaining refund would also be distributed according to the institution's policy, with possibilities including returning dollars to the student or to the non-Title IV aid source.

Repayments

Students who receive financial aid and later terminate their enrollment (e.g., drop out, withdraw or are expelled), and who received cash disbursements of Title IV financial aid for payment of their non-institutional costs require institutional review to determine if there has been an overpayment, and therefore, if a repayment is required. Thus, "repayment" designates the amount that a student must repay, of the funds he/she received in cash, that could not have reasonably been spent for non-institutional costs during the portion of the term that the student was

enrolled. As with refunds, repayments must be attributed to the appropriate Title IV programs, according to institutional policy.

Establishing an Institutional Policy

The institutional policy regarding repayment applies to students who receive cash disbursements of Title IV financial aid for payment of non-institutional costs and terminate their enrollment during the term. (In this regard, "non-institutional" costs may include, but are not limited to: off-campus room and board (if not contracted for with the institution), books, supplies, transportation, and miscellaneous expenses. The institution must establish a written policy. The allocation policy must be uniformly applied; however, the method of calculating whether a repayment is due may vary according to individual students' situations (e.g., a handicapped student might have additional expenses).

The regulations governing the Title IV programs spell out the formulas to be used to determine the amount of the repayment. However, the regulations do not specify how the repayment is to be allocated among the various programs except for the following statements which appear in Section 668.21(d)(1) of the December 31, 1980 General Provisions regulations:

> "The institution shall develop written policies allocating the Title IV portion of the overpayment owed by the student to the various Title IV programs from which the student received aid. These policies shall be applied on a consistent basis to all students receiving Title IV aid."

The December 31, 1980 General Provisions regulations provide information that an institution must use in determining the repayment policy. The following statement, which appears in Section 668.21(c), defines one example of an overpayment:

> "Any cash that an institution disbursed to a student for a payment period under any Title IV program other than the College Work-Study, Guaranteed Student Loan or PLUS Program becomes an overpayment if before the first day of classes of that payment period the student officially withdraws, drops out or is expelled."

The institution must establish certain items before a determination can be made as to whether an overpayment has been made and, therefore, whether a repayment may be necessary. The institution must determine:

- The student's financial aid awards;
- The amount and composition of the student's cash disbursement;
- The student's termination date; and

- The amount that could reasonably be spent on educational expenses during the portion of the term that the student was enrolled.

As indicated in Section 668.21(c)(2) of the December 31, 1980 General Provisions regulations, if the student receives a cash disbursement of Title IV aid (other than CW-S, GSL or PLUS) and terminates enrollment on or after the first day of classes, the institution must determine whether the student received an overpayment. To do this, the institution should use the guidance found in Sections 668.21(c)(3) and 668.21(c)(4) which state:

> "In determining whether a student received an overpayment for purposes of paragraph (c)(2) of this section, and the amount of that overpayment, the institution shall subtract from the cash disbursed to the student for non-institutional costs, the non-institutional costs that were to be paid by the disbursement for the portion of the payment period during which the student was enrolled. Non-institutional educational costs may include, but are not limited to, room and board (if not contracted for with the institution), books and supplies, transportation and miscellaneous expenses.
>
> If a student drops out, the institution shall use the last recorded day of class attendance by the student as the end of the student's enrollment. However, if it is unable to document the student's last day of attendance, any cash it disbursed to that student for that payment period is an overpayment."

The institution should first determine the portion of the payment period during which the student was enrolled which was covered by the aid award and the reasonable expenses for this portion of the payment period. Each institution must determine what expenses are "reasonable." To make this determination, the institution must have a means of determining on what basis the costs are incurred. Some expenses may be incurred at the beginning of the semester or term (i.e., books and supplies) while other expenses occur throughout the term on a regular basis. For the latter, proration might be appropriate. This may be done in several ways, including monthly proration, proration according to a published schedule or proration according to the percentage of the term the student was enrolled. An institution might also determine that all of the cash payment to the student was used up. If it is reasonable that all funds were used, there would be no overpayment. This determination is also made by the institution.

Once the reasonable expenses for the period of enrollment have been determined, the institution must subtract this amount from the total cash disbursed to the student for the payment period. The composition of the cash disbursement must be known prior to this subtraction because any GSL/PLUS funds (as well as any CW-S earnings) must be excluded. The

resulting figure is the overpayment and from this, through the application of the repayment formula discussed in the following paragraph, the amount of the student's repayment is determined.

Once it has been determined that a student received an overpayment, that portion which must be returned to the Title IV programs must be calculated. That portion of any cash disbursed to a student which must be returned to the Title IV programs is determined by multiplying the amount of the overpayment by the formula in Section 668.21(c)(5) of the December 31, 1980 General Provisions regulations. The formula is similar to the refund formula except that it excludes GSL and PLUS loans as well as the work earnings, from both the numerator and the denominator. The formula determines the fraction to be used and is as follows:

$$\frac{\text{Total amount of Title IV aid (minus work earnings and GSL and PLUS loans) awarded for the payment period}}{\text{Total amount of aid (minus work earnings and GSL and PLUS loans) awarded for the payment period.}}$$

As with the refund calculation, the final step in the repayment calculation requires the attribution of the repayment among the Title IV programs. It should be noted that, as with the refund attribution, the total amount of the refund and repayment to a program may not exceed the amount the student received from the program.

At institutions which credit all aid to a student's account at one time and then issue a check to the student for any amount in excess of that owed to the institution, it may be necessary to have a policy which states in what order (i.e., programs) aid is credited to a student's account. This is a necessary step if the institution is to be able to determine what type of funds are included in cash disbursed to the student. An alternative would be to assume that the cash disbursed to the student is a proportionate combination of programs from which the student received aid. Information on what funds are included in the cash disbursed to the student is necessary because GSL/PLUS funds must be excluded from the repayment calculation.*

Collection from the Student

The institution is responsible for collecting any repayment from the student and should have a written policy regarding the recovery of repayments from students. The institutional responsibility for collection includes billing the student, if necessary, and maintaining a receivable account until the obligation is paid.

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* In order to comply with the regulation, institutions must have a methodology (although not necessarily the methodology described above) to determine the composition of cash disbursements to students. Institutions which do not have such a methodology may be assessed liabilities beginning with the 1984-85 award year.

Until the obligation is repaid, the institution has other responsibilities regarding requests for information by the student. The institution must maintain records showing the repayment owed and must report this information to other postsecondary institutions via the Financial Aid Transcript. The institution may also withhold Financial Aid Transcripts or academic transcripts as a result of a repayment owed, if such procedures have been stated as institutional policy. In addition, it should be made clear to students that failure to resolve the overpayment will impact on their ability to receive future federal Title IV student assistance at that institution.

If a student owes a repayment of Pell Grant funds and has failed to repay the amount due, the institution may refer the overpayment to the Department of Education for collection, according to the 1983-84 Pell Grant Validation Handbook, pages 54-57. Per these procedures, the Department of Education will attempt to recover overpayments if the following two conditions apply:

- The overpayment was not made as a result of an institutional error; and
- The institution has attempted to recover the overpayment.

Referral to the Department of Education is appropriate if:

- The institution has established a repayment plan and the applicant has discontinued payment; or
- The applicant has never paid.

After a case has been referred, the institution has no further responsibility other than to continue to withhold Title IV payments to the student. The Department of Education will take no collection action on cases involving amounts less than $100; however, these students will still owe their overpayment and will continue to be ineligible for federal funds at the institution at which the overpayment occurred.

Appendix A

Sample Refund Policies

This appendix contains five refund and repayment policies from various types of institutions. These policies are provided for illustrative purposes only; they are not intended to be regarded as the "only" way to formulate such policies. Further, it should be kept in mind that these policies have been extracted from institutional publications. Therefore, the policies may contain terms unfamiliar to the reader but which would become clear in the context of the publication from which the policy was taken.

Once again, we would like to express our appreciation to those of our colleagues who provided their refund and repayment policies for inclusion in this monograph.

State University A

Refund and Repayment Policies

Refund Policy. The refund policy for students withdrawing is outlined in the catalog under "Refund of Fees" and ranges from a 90% refund for the first and second weeks following the first day of general registration to 50% of all refundable fees during the fifth and sixth weeks following the first day of general registration.

Students on financial aid will not receive refunds until funds representing financial aid awards have been applied back to the respective accounts. Normally the refunds will be returned to programs on a prorated basis and according to the components of a financial aid package.

Financial aid is considered to be used first for direct educational costs - tuition and fees and room and board, if in University Housing. Therefore, if a student withdraws and is scheduled to receive a refund of tuition and fees, all or part of this refund will be used to reimburse the financial aid program(s) from which the student received funds.

If the student received financial aid in excess of direct costs, a percentage of this aid may be required to be repaid, the amount depending upon how many days the student was enrolled and the amount of aid received.

Repayment Policy. Some programs have specific repayment provisions for students who withdraw. If the refund is insufficient to cover the required repayment, it will be the responsibility of the student to make the necessary repayment.

A student owing a repayment to any federally-sponsored student aid program cannot receive any type of federally-supported student aid disbursement for future enrollment periods unless repayment arrangements have been made with the Financial Aid Office.

State University B

Financial Aid Refund Policy

The University Catalog states that "A student who officially withdraws from University courses may arrange for a refund of fees by submitting to the University Comptroller evidence of eligibility for a refund." For those students eligible for a refund, semester fees will be returned in accordance with the following schedule:

A. First Refund Period: All activity fees chargable to Special Services and all other semester fees less $2.50. This period ends on the twelfth day following the beginning of General Registration.
B. Second Refund Period: 70% of all refundable fees. This period ends on the fifth Friday following the beginning of General Registration.
C. Third Refund Period: 40% of all refundable fees. The last refund period ends on the eighth Friday following the beginning of General Registration.

Since Financial Aid is expected to meet or help meet educational costs, any tuition and fee refund, up to the amount of Financial Aid received for that semester or summer session, will be refunded to the Financial Aid Program(s) from which the student received assistance.

To determine what amount of the refund will be returned to Title IV aid programs and what amount will be returned to the Non-Title IV aid programs, the following formula will be used:

$$\text{Title IV Refund} = (\text{Amount of Refund}) \times \frac{\text{Title IV Aid Received}}{\text{Total Aid Received}}$$

Non-Title IV Refund = Amount of Refund minus Title IV Refund

In refunding monies to the various financial aid programs, the following priority listings will be used:

A. Title IV Programs
    1. National Direct Student Loan Program (NDSL)
    2. Supplemental Educational Opportunity Grant (SEOG)
    3. Pell Grant
B. Non-Title IV Programs
    1. State Grants
    2. Institutional Loans
    3. Institutional Scholarships and/or Grants
    4. Private Scholarships

Under the priority listing for Title IV funds, the NDSL Program was listed first for two basic reasons. First, it reduces the loan debt of a student who is a high risk as far as defaulting on loan payments is concerned. Secondly, the money returned to the NDSL Program can be reawarded to needy students for whom funding was not previously available. The SEOG Program was listed second because money returned to this program can also be awarded to students for whom funding was not previously available. This is not true with respect to the Pell Grant Program, as all students meeting the eligibility requirements of the Pell Grant Program will receive their award.

As for the non-Title IV aid programs, the State Grant Program is listed first because these awards are always based on need, and the money returned to the State Grant Program can be reawarded to other students. Institutional Loans were listed next so that the debt of the withdrawing student could be reduced. Institutional Scholarships and/or Grants were listed ahead of Private Scholarships because the Financial Aid Office has control over part of these funds, and the possibility of the funds being reawarded is probably higher.

State University C

Refund and Repayment Policy

Refund Policy. Federal regulations require a proportionate refund to federal student aid funds (programs sponsored by U.S. Department of Education). The federal formula used in determining the portion of the fee refund to be applied to federal student aid funds:

$$\frac{\text{total amount of federal student aid funds (excluding employment) awarded for the payment period}}{\text{total amount of aid (excluding employment) awarded for the payment period}}$$

A. Your refund may be affected by prior obligations you made before withdrawing. If you have issued a bad check for enrollment fees, the refund will cover this obligation first.
B. The portion of refund remaining will be distributed to all federal aid programs not to exceed the amount received by the student.
C. Any remaining refund not attributed to federal funds by using the above formula shall be apportioned to non-federal student aid on a pro rata basis.
D. Refund distribution priority:
   1. National Direct Student Loan
   2. Supplemental Educational Opportunity Grant
   3. Pell Grant
   4. Guaranteed Student Loans/PLUS Loans
   5. Other student aid programs
   6. Emergency Student Loans
   7. Student

Students who withdraw from STATE UNIVERSITY on or before the sixth Friday of classes during the fall or spring semester, or before the third Friday of classes during a summer session may be eligible for a fee refund.

Refund Schedule

Time of Withdrawal	Amount of Refund Fall/Spring	Summer
On or before the first Friday of classes	100%	100%
On or before the second Friday of classes	90%	75%
On or before the third Friday of classes	80%	50%
On or before the fourth Friday of classes	70%	0%
On or before the fifth Friday of classes	60%	0%
On or before the sixth Friday of classes	50%	0%
After the sixth Friday of classes	0%	0%

Repayment Policy. The federal formula used in determining the portion of student aid funds (excluding employment and Guaranteed Student Loan or PLUS Loan) to be returned to the federal aid program, not to exceed the amount advanced for the payment period:

$$\frac{\text{total amount of federal student aid funds (excluding employment and Guaranteed Student Loan and/or PLUS Loan) awarded for the payment period}}{\text{total amount of aid (excluding employment and Guaranteed Student Loan and/or PLUS Loan) awarded for the payment period}}$$

The priority repayment for student aid funds is:

1. National Direct Student Loan
2. Supplemental Educational Opportunity Grant
3. Pell Grant

Failure to repay the aid will encumber the student's academic and financial aid records preventing the student from re-enrolling or obtaining a financial aid transcript.

When a student withdraws before the seventh week of classes and received student aid funds which exceed the fees paid, the student may be required to return a portion of the aid.

Repayment Schedule

Time of Withdrawal	Repayment Required Fall/Spring	Summer
On or before the first Friday of classes	80%	80%
On or before the second Friday of classes	60%	40%
On or before the third Friday of classes	40%	20%
On or before the fourth Friday of classes	30%	0%
On or before the fifth Friday of classes	20%	0%
On or before the sixth Friday of classes	10%	0%
After the sixth Friday of classes	0%	0%

Community College

Policy for Repayment of Title IV Grant and EOP Grant Programs

1. Grant nontuition repayment will be required according to the following schedule.
   A. 100% repayment for withdrawal prior to first day of academic term.
   B. 25% repayment for withdrawal during first week of academic term.

   The nondirect costs incurred by the student during the first week of the term total 75% of the first disbursement. Students receive financial warrants on a monthly basis. Units are monitored prior to each disbursement. Warrants are cancelled for nonenrollment or fewer than 6 credits.

2. Tuition refunds involving Title IV grants and EOP grants will be refunded to the appropriate college account as follows:
   90% during the first week of instruction
   75% during the second week of instruction
   50% during the third week of instruction
   25% during the fourth week of instruction

   Summer session refunds involving Title IV grants and EOP grants will be refunded as follows:
   90% during the first week of instruction
   50% during the second week of instruction

Cancellation and Refund Policy/Enrollment Agreement Policies

Where prepayment arrangements are agreed to, it must be understood that this is only for the financial convenience of the student. It is not to be interpreted as payments for any time period. In accepting applications, TECHNICAL SCHOOL commits the school to furnish a complete training program with all the facilities, staff and equipment necessary to train the accepted applicants. Accordingly, having made such a commitment, there exists the following refund policy:

The school realizes that conditions do arise that cause changes in plans and attitudes of prospective enrollees. Under such circumstances provisions for cancellation should be made. Therefore, please consider the following methods of cancellation and school's refund policy.

A. Full refund of all monies paid if applicant is rejected by the school prior to commencement of studies.
B. An applicant not requesting cancellation by his scheduled starting date will be considered a student. Such a request must be made by registered letter, by the student, directed to the school.
C. A student cancelling this agreement within ten (10) business days of signing of this agreement will be refunded all monies remitted. Saturday is considered a business day by TECHNICAL SCHOOL.
D. A student cancelling this agreement after ten (10) business days have passed, but prior to the beginning of the resident training, must pay $100.00. All additional monies shall be refunded in accordance with specific State Laws.
E. A student who starts class and officially withdraws during the first calendar week of the quarter (12 weeks) shall be granted a refund of 75% of the tuition cost of that specific quarter.
F. A student who officially withdraws during the second calendar week of the quarter (12 weeks) shall be granted a refund of 50% of the tuition cost of that specific quarter.
G. A student who officially withdraws during the third calendar week of the quarter (12 weeks) shall be granted a refund of 25% of the tuition cost of that specific quarter.
H. A student who officially withdraws beginning with the fourth calendar week of the quarter (12 weeks) will not be entitled to a refund of any portion of the tuition collected for that specific quarter.
I. Official withdrawal for refund purposes is the date of termination and is defined as:
    a. The last day of attendance if the student is terminated by the school; or
    b. The date of receipt of written notice of withdrawal from the student.

J. Refunds shall be returned to the student within thirty (30) days after receipt of a written request or termination by the institution.

K. A student acknowledges, by his signature on the School Enrollment Agreement, that he can provide funds needed for room and board during the period of training.

Appendix B

Calculation of Refunds and Repayments at Traditional Institutions

Sample Case Studies

Fact Sheet

The institutional information which follows is designed to be used in conjunction with the "Student Information" contained later in this appendix to calculate the appropriate refund and/or repayment.

Institutional Refund/Repayment Policy

- Tuition and fees are refunded according to the following schedule:

Before the end of the registration period	100%
Within the first week	80%
Within the second week	60%
Within the third week	40%
Within the fourth week	20%
After the fourth week	0%

- Institutionally-contracted room and board are refunded on a pro rata basis of 15 weeks per term.

- Living expenses (including off-campus room and board) are prorated based upon a 15 week term (30 week academic year).

- Half of the academic year allowance for books, supplies and miscellaneous expenses is considered to be used at the beginning of each term.

Allocation Policy

The institution's allocation policy is as follows:

- 1st to NDSL
- 2nd to SEOG
- 3rd to [illegible]
- 4th to [illegible]ell Grant
- 5th to State Grant
- 6th to Institutional Scholarship
- 7th to Student/Family

Cost of Attendance for Academic Year

Tuition and fees	$3,000
Room (on-campus)	1,050
Board	1,150
Books, supplies and miscellaneous	350
Transportation	600
Personal	1,200
Total	$7,350

Fact Sheet - continued

Payment and Application of Aid

- All students receive one-half of their total academic year awards at the beginning of each semester.
- Aid is first applied toward tuition and fees, then toward institutionally-contracted room and/or board charges.
- Remaining balances are returned to the student.

Student Information

Assume all of the following students reside on-campus in institutional housing and do not contract with the institution for board.

Student A

Aid awards for the academic year:

• SEOG	$ 600
• NDSL	950
• CW-S	1,000
• Pell Grant	1,188
• Guaranteed Student Loan	2,500
• Institutional Scholarship	800
Total Aid	$7,038

Student A withdraws during the second week of school. This student has received one-half of his GSL at the time of withdrawal.

Student B

Aid awards for the academic year:

• SEOG	$ 600
• NDSL	950
• CW-S	1,000
• Pell Grant	1,188
• Institutional Scholarship	800
Total Aid	$4,538

Student B also withdraws during the second week of school.

Student C

Aid awards for the academic year:

• State Grant (includes SSIG)	$1,000
• Institutional Scholarship	600
Total Aid	$1,600

Student C withdraws during the third week of school.

Solutions

Student A

- The first step involves the determination of the amount of the refund. The refund for tuition and fees is calculated as follows:

  $1,500 x .60 = $900.

Thus, the refund for tuition and fees is $900.

The refund for institutionally-contracted room charges is calculated by determining a weekly amount ($1,050 ÷ 2 = $525 ÷ 15 = $35). This weekly amount ($35) is multiplied by the number of weeks used (2) and then the result ($70) is subtracted from the total paid for the term ($525). The result, $455, is the amount of the room refund.

The total refund is the sum of the tuition and fees refund and the room refund: $900 + $455 = $1,355.

- The second step requires the institution to determine what portion of the total refund ($1,355 in this case) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Application of this formula yields the Title IV portion of the refund. The calculation follows:

$$\$1,355 \times \frac{\$300(\text{SEOG}) + \$475(\text{NDSL}) + \$594(\text{Pell}) + \$1,250(\text{GSL})}{\$300(\text{SEOG}) + \$475(\text{NDSL}) + \$594(\text{Pell}) + \$1,250(\text{GSL}) + \$400(\text{Institutional Scholarship})}$$

$$\$1,355 \times \frac{\$2,619}{\$3,019} = \$1,175$$

Therefore, $1,175 of the $1,355 is due back to the Title IV programs.

- The third step requires the attribution of the $1,175 among the Title IV programs. This is done according to the institution's policy. In this case, the $1,175 refund is attributed as follows:

  $475 to NDSL
  $300 to SEOG
  $400 to GSL

The remaining $180 would be returned to the Institutional Scholarship fund.

Solution, Student A - continued

- With the refund calculated and allocated, the next step is to determine if the student received an overpayment. After the institutional charges of $2,025 ($1,500 in tuition and fees and $525 in room charges) were satisfied, the student received a cash disbursement of $994. In determining if the student received an overpayment, the institution must first make certain that any GSL funds are extracted from the cash disbursement. This institution does not have a prescribed order for applying funds to students' accounts, therefore the institution must determine the amount of GSL funds in the cash disbursement by calculating the proportion of GSL to total aid. The formula takes into account the amount of GSL the student actually received during the payment period. This is illustrated by the following:

$$\text{Cash disbursement} \times \frac{\text{total GSL award disbursed in payment period}}{\text{total amount of aid (minus work earnings) disbursed in payment period}}$$

$$\$994 \times \frac{\$1,250}{\$3,019} = \$412$$

Thus, the GSL portion of the cash disbursement is $412. This amount should be subtracted from the cash disbursement. The result, $582, is the cash disbursement from which any overpayment will be determined.

- The next step is to estimate the other expenses incurred during the period of attendance. The institutional refund policy indicates how non-institutional charges are prorated. Living expenses are prorated on a weekly basis based on the fact that the cost of attendance is predicated on two 15 week terms. Thus, a weekly cost could be approximated for these expenses. These weekly costs, multiplied by the two weeks the student was enrolled, are as follows:

Board	$1,150 ÷ 2 ÷ 15 = $38 x 2 =	$76
Transportation	$ 600 ÷ 2 ÷ 15 = $20 x 2 =	$40
Personal	$1,200 ÷ 2 ÷ 15 = $40 x 2 =	$80
Total costs incurred for 2 weeks		$196

In addition to these evenly incurred expenses, it is assumed according to the institutional refund policy that the books, supplies, and miscellaneous allowance for the term is considered to be used at the beginning of the term. This allowance, $175, added to the student's other living expenses of $196 yields a total of $371 for indirect educational expenses.

Solution, Student A - continued

Subtracting this amount ($371) from the cash disbursement of $582 results in a total overpayment of $211.

- The portion of the overpayment which is allocable to the Title IV programs is determined through the use of the following formula:

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

Application of this formula yields the following:

$$\$211 \times \frac{\$300\text{(SEOG)} + \$475\text{(NDSL)} + \$594\text{(Pell)}}{\$300\text{(SEOG)} + \$475\text{(NDSL)} + \$594\text{(Pell)} + \$400\text{(Institutional Scholarship)}}$$

$$\$211 \times \frac{\$1,369}{\$1,769} = \$163$$

Therefore, $163 of the repayment is due back to the Title IV programs.

- As with the refund calculation, the final step in the repayment calculation requires the attribution of the $163 among the Title IV programs. According to the institution's policy, all of the money would go back to the Pell Grant Program. This is because the refund attribution totally repaid the NDSL and SEOG programs, and GSL, the third program in the attribution policy, is excluded from the repayment formula.

The remaining $48 would be returned to the Institutional Scholarship fund.

Student B

- The first step involves the determination of the amount of the refund. The refund for tuition and fees is calculated as follows:

$1,500 x .60 = $900.

Thus, the refund for tuition and fees is $900.

The refund for institutionally-contracted room charges is calculated by determining a weekly amount ($1,050 ÷ 2 = $525 ÷ 15 = $35). This weekly amount is multiplied by the number of weeks used ($35 x 2 = $70) and then the result ($70) is subtracted from the total paid for the term ($525). The result of this subtraction, $455, is the amount of the room refund.

The total refund is the sum of the tuition and fees refund and the room refund: $900 + $455 = $1,355.

- The second step requires the institution to determine what portion of the total refund ($1,355 in this case) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Application of this formula yields the Title IV portion of the refund. The calculation follows:

$$\$1,355 \times \frac{\$300(\text{SEOG}) + \$475(\text{NDSL}) + \$594(\text{Pell})}{\$300(\text{SEOG}) + \$475(\text{NDSL}) + \$594(\text{Pell}) + \$400(\text{Institutional Scholarship})}$$

$$\$1,355 \times \frac{\$1,369}{\$1,769} = \$1,049$$

Therefore, $1,049 of the $1,355 refund is due back to the Title IV programs.

- The third step requires the attribution of the $1,049 among the Title IV programs. This is done according to the institution's policy. In this case, the $1,049 refund would be attributed as follows:

$475 to NDSL
$300 to SEOG
$274 to Pell Grant

The remaining $306 would be returned to the Institutional Scholarship fund.

Solution, Student B - continued

- The next step is to determine if the student received an overpayment. In this case, all of the student's financial aid was applied to his account for satisfaction of institutional charges. The student received no cash disbursement, therefore, there is no overpayment.

- If there had been an overpayment, the portion of the overpayment allocable to the Title IV programs would be determined through the use of the following formula:

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

- As with the refund calculation, the final step in the repayment calculation requires attribution of the overpayment according to the institution's policy.

Student C

- The first step involves the determination of the amount of the refund. The refund for tuition and fees is calculated as follows:

$1,500 x .40 = $600.

Thus, the refund for tuition and fees is $600.

The refund for institutionally-contracted room charges is calculated by determining a weekly amount ($1,050 ÷ 2 = $525 ÷ 15 = $35). This weekly amount is multiplied by the number of weeks used ($35 x 3 = $105) and then the result ($105) is subtracted from the total paid for the term ($525). The result of this subtraction, $420, is the amount of the room refund.

The total refund is the sum of the tuition and fees refund and the room refund: $600 + $420 = $1,020.

- The second step requires the institution to determine what portion of the total refund ($1,020 in this case) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Application of this formula yields the Title IV portion of the refund. The calculation follows:

$$\$1{,}020 \times \frac{\$500 \text{ (State Grant: includes SSIG funds)}}{\$500 \text{ (State Grant: includes SSIG funds)} + \$300 \text{ (Institutional Scholarship)}}$$

$$\$1{,}020 \times \frac{\$500}{\$800} = \$638$$

Therefore, $638 of the $1,020 refund is due back to the Title IV programs.

- The third step requires the attribution of the $638 among the Title IV programs. This is done according to the institution's policy. In this case, the $638 refund is attributed as follows:

$500 to State Grant

The student received only $500 in Title IV funds. Therefore, $520 still remains to be refunded. Of this $520, $300 would be returned to the Institutional Scholarship fund and $220 would be returned to the student.

Solution, Student C - continued

- The next step is to determine if the student received an overpayment. In this case, all of the student's financial aid was applied to his account for satisfaction of institutional charges. The student received no cash disbursement, therefore, there is no overpayment.

- If there had been an overpayment, the portion of the overpayment allocable to the Title IV programs would be determined through the use of the following formula:

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

- As with the refund calculation, the final step in the repayment calculation requires the attribution of the overpayment according to the institution's policy.

Appendix C

Calculation of Refunds and Repayments
at Non-term Based and Clock Hour
Institutions

Sample Case Studies

Fact Sheet

The institutional information which follows is designed to be used in conjunction with the "Student Information" contained later in this appendix to calculate the appropriate refund and/or repayment.

Institutional Refund/Repayment Policy

- Tuition is refunded based on the percentage of clock hours completed relative to the total number of hours in the program, according to the following schedule:

% of clock hours completed	% of total tuition retained by institution
0	0%
1 - 4.9%	20%
5 - 9.9%	30%
10 - 14.9%	40%
15 - 24.9%	45%
25 - 49.9%	70%
50% and above	100%

- The one time fee of $100 is nonrefundable.
- Living expenses are prorated based upon the length of time the student attends. If a student attends any portion of a week, the entire week is counted for purposes of proration.
- Books, supplies, and miscellaneous expenses are considered to be incurred equally at the beginning of each payment period (i.e., if there are two payment periods, one-half would be incurred at the beginning of each payment period).

Allocation Policy

The institution's allocation policy is as follows:

- 1st to SEOG
- 2nd to NDSL
- 3rd to GSL
- 4th to Pell

Program/Academic Year Length

- These students are enrolled in a 900 hour program.
- Full time status in this program is 25 hours per week.
- The academic year at this institution is 900 hours.

Cost of Attendance for Program

• Tuition	$2,300
• Nonrefundable fee (one-time)	100
• Room and board (not contracted with the institution)	2,500
• Books, supplies, and miscellaneous	300
• Transportation	400
• Personal Expenses	1,000
Total	$6,600

Payment and Application of Aid

- The student is obligated for the total amount of tuition at the time of initial enrollment. Tuition can be paid in equal installments at the beginning of each payment period. These students take advantage of this payment option.

- The $100 fee must be paid at the time of the first tuition payment.

- Aid is credited to the student's account at the beginning of each payment period; remaining balances are returned to the student.

- Each payment period is 450 hours.

Student Information

Assume all of the following students reside off-campus and have no contractual arrangements with the institution for room or board. They are all enrolled in the same program.

Student D

Aid awards for the program:

• CW-S	$1,000
• SEOG	800
• NDSL	700
• Pell Grant	976
• Private Scholarship	1,200
• GSL	1,500
Total Aid	$6,176

Student D enrolls as a full-time student and withdraws after completing 144 hours. He received one-half of his GSL.

Student E

Aid awards for the program:

• CW-S	$1,000
• SEOG	800
• NDSL	700
• Pell Grant	976
• Private Scholarship	2,000
Total Aid	$5,476

Student E withdraws after completing 176 hours as a full-time student.

Student F

Aid awards for the program:

• Pell Grant	$ 976
• GSL	2,500
Total Aid	$3,476

Student F's GSL lender disburses the entire $2,500 during the first week of school. Student F withdraws after completing 34 hours as a full-time student.

Solutions

Student D

- The first step involves the determination of the amount of the total program charges obligated that the institution is allowed to retain if the student drops out before completing the course. This institution has a refund policy which is expressed in terms of the percentage of clock hours completed relative to the total number of clock hours in the program. The percentage of the course this student completed must be calculated as follows:

$$\frac{\text{144 hours completed}}{\text{900 hours in the program}} = 16\%$$

Because this student completed between 15 - 24.9% of the clock hours in the program (or 16%), the institution is entitled to retain 45% of the total program costs. Thus,

$2,300 x .45 = $1,035.

In addition, the institution also retains the $100 fee; therefore,

$1,035 + $100 = $1,135.

- To determine the total amount of the refund and subsequently, the portion of the refund allocable to the Title IV programs, requires a determination of the charges paid to date. This student paid half of the $2,300 tuition charge and all of the nonrefundable $100 fee. Thus,

$2,300 ÷ 2 = $1,150 + $100 = $1,250.

The amount of the refund due is the difference between the amount paid to date ($1,250) and the portion of the program charges the institution is allowed to retain ($1,135). The total amount of the refund is determined as follows:

$1,250 - $1,135 = $115.

- The next step requires the institution to determine what portion of the total refund ($115) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund Due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Solution, Student D - continued

Application of this formula yields the Title IV portion of the refund. The calculation follows:

$$\$115 \times \frac{\$400(\text{SEOG}) + \$350(\text{NDSL}) + \$488(\text{Pell}) + \$750(\text{GSL})}{\$400(\text{SEOG}) + \$350(\text{NDSL}) + \$488(\text{Pell}) + \$750(\text{GSL}) + \$600(\text{Private Scholarship})}$$

$$\$115 \times \frac{\$1,988}{\$2,588} = \$88$$

Therefore, $88 of the $115 refund is due back to the Title IV programs.

- The final step in the refund calculation requires the attribution of the $88 among the Title IV programs. This is done according to the institution's policy. In this case the entire $88 would be returned to the SEOG Program.

The remaining $27 could be returned either to the Private Scholarship donor or to the student.

- With the refund calculated and allocated, the next step is to determine if the student received an overpayment. After the institutional charges of $1,250 ($1,150 in tuition and the $100 nonrefundable fee) were satisfied, the student received a cash disbursement of $1,338. In determining if the student received an overpayment, the institution must first make certain that any GSL funds are extracted from the cash disbursement. This institution does not have a prescribed order for applying funds to students' accounts, therefore, the institution must determine the amount of GSL funds in the cash disbursement by calculating the proportion of GSL to total aid. The formula takes into account the amount of GSL the student actually received during the payment period. This is illustrated by the following:

$$\text{Cash disbursement} \times \frac{\text{total GSL award disbursed in payment period}}{\text{total amount of aid (minus work earnings) disbursed in the payment period}}$$

$$\$1,338 \times \frac{\$\ 750}{\$2,588} = \$388$$

Thus, the GSL portion of the cash disbursement is $388. This amount should be subtracted from the cash disbursement. The result, $950, is the cash disbursement from which any overpayment will be determined.

- The next step is to estimate the other expenses incurred during the period of attendance. The institutional refund policy indicates that living expenses are prorated on a weekly basis. Based upon a weekly schedule of 25 hours per week, and the fact that the student completed 144 hours prior to withdrawal, this student attended approximately six weeks. The cost of attendance is predicated on nine months or approximately 36 weeks. Using this information, weekly costs for room and board, personal expenses, and transportation can be determined. These weekly costs, multiplied by the six weeks the student was enrolled, are as follows:

Solution, Student D - continued

Room and board	$2,500 ÷ 36 = $69 x 6 =	$414
Transportation	$ 400 ÷ 36 = $11 x 6 =	$ 66
Personal Expenses	$1,000 ÷ 36 = $28 x 6 =	$168
Total costs incurred for 6 weeks		$648

Further, according to institutional policy, it is assumed that one-half of the books, supplies, and miscellaneous allowance for the program is incurred at the beginning of each payment period. Thus, this student incurred $150 in these expenses.

This allowance of $150, when added to the student's other living expenses of $648, results in a total of $798 for indirect educational expenses. Subtracting this amount ($798) from the cash disbursement the student received ($950) yields an overpayment of $152.

- The portion of the overpayment which is allocable to the Title IV programs is determined through the use of the following formula:

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

Application of this formula yields the following:

$$\$152 \times \frac{\$400\text{(SEOG)} + \$350\text{(NDSL)} + \$488\text{(Pell)}}{\$400\text{(SEOG)} + \$350\text{(NDSL)} + \$488\text{(Pell)} + \$600\text{(Private Scholarship)}}$$

$$\$152 \times \frac{\$1,238}{\$1,838} = \$102$$

Therefore, $102 of the repayment is due back to the Title IV programs.

- As with the refund calculation, the final step in the repayment calculation requires the attribution of the $102 among the Title IV programs. According to the institution's policy, all of the money would be returned to the SEOG Program.

The remaining $50 could be returned to either the Private Scholarship donor or the student.

Student E

- The first step involves the determination of the amount of the total program charges obligated that the institution is allowed to retain if the student drops out before completing the course. This institution has a refund policy which is expressed in terms of clock hours completed relative to the total number of clock hours in the program. The percentage of the course this student completed must be calculated as follows:

$$\frac{\text{176 hours completed}}{\text{900 hours in program}} = 20\%$$

Because this student completed between 15 - 24.9% of the clock hours in the program (or 20%), the institution is entitled to retain 45% of the total program costs. Thus,

$2,300 x .45 = $1,035.

In addition, the institution also retains the $100 fee; therefore:

$1,035 + $100 = $1,135.

- To determine the total amount of the refund and subsequently, the portion of the refund allocable to the Title IV programs, requires a determination of the charges paid to date. This student paid half of the $2,300 tuition charge and all of the nonrefundable $100 fee. Thus,

$2,300 ÷ 2 = $1,150 + $100 = $1,250.

The amount of the refund due is the difference between the amount paid to date ($1,250) and the portion of the program charges the institution is allowed to retain ($1,135). The total amount of the refund is determined as follows:

$1,250 - $1,135 = $115.

- The next step requires the institution to determine what portion of the total refund ($115) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Application of this formula yields the Title IV portion of the refund. The calculation follows:

Solution, Student E - continued

$$\$115 \times \frac{\$400(\text{SEOG}) + \$350(\text{NDSL}) + \$488(\text{Pell})}{\$400(\text{SEOG}) + \$350(\text{NDSL}) + \$488(\text{Pell}) + \$1,000(\text{Private Scholarship})}$$

$$\$115 \times \frac{\$1,238}{\$2,238} = \$64$$

Therefore, $64 of the $115 refund is due back to the Title IV programs.

- The final step in the refund calculation requires the attribution of the $64 among the Title IV programs. This is done according to the institution's policy. In this case the entire $64 would be returned to the SEOG Program.

The remaining $51 could be returned either to the Private Scholarship donor or the student.

- With the refund calculated and allocated, the next step is to determine if the student received an overpayment. After the institutional charges of $1,250 ($1,150 in tuition and $100 in nonrefundable fee) were satisfied, the student received a cash disbursement of $988.

- The next step is to estimate the other expenses incurred during the period of attendance. The institutional refund policy indicates that living expenses are prorated on a weekly basis. Based upon a weekly schedule of 25 hours per week, and the fact that the student completed 176 hours prior to withdrawal, this student attended approximately 8 weeks. The cost of attendance is predicated on nine months or approximately 36 weeks. Using this information, weekly costs for room and board, personal expenses, and transportation can be determined. These weekly costs, multiplied by the 8 weeks the student was enrolled, are as follows:

Room and board	$2,500 ÷ 36 = $69 x 8 =	$552
Transportation	$ 400 ÷ 36 = $11 x 8 =	$ 88
Personal expenses	$1,000 ÷ 36 = $28 x 8 =	$224
Total costs incurred for 8 weeks		$864

Further, according to institutional policy, it is assumed that one-half of the books, supplies, and miscellaneous allowance for the program is incurred at the beginning of each payment period. Thus, this student incurred $150 in these expenses.

This allowance of $150, when added to the student's other living expenses of $864, results in a total of $1,014 for indirect educational expenses. This exceeds the cash payment of $988, thus there is no overpayment.

- If there had been an overpayment, the portion of the overpayment allocable to the Title IV programs would be determined through use of the following formula:

Solution, Student E - continued

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

- As with the refund calculation, the final step in the repayment calculation requires the attribution of the overpayment according to the institution's policy.

Student F

- The first step involves the determination of the amount of the total program charges obligated that the institution is allowed to retain if the student drops out before completing the course. This institution has a refund policy which is expressed in terms of the percentage of clock hours completed relative to the total number of clock hours in the program. The percentage of the course this student completed must be calculated as follows:

$$\frac{\text{34 hours completed}}{\text{900 hours in program}} = 4\%$$

Because this student completed between 1 - 4.9% of the clock hours in the program (or 4%), the institution is entitled to retain 20% of the total program costs. Thus,

$2,300 x .20 = $460.

In addition, the institution also retains the $100 nonrefundable fee; therefore:

$460 + $100 = $560

- To determine the total amount of the refund and subsequently, the portion of the refund allocable to the Title IV programs, requires a determination of the charges paid to date. This student paid half of the $2,300 tuition charge and all of the nonrefundable $100 fee. Thus,

$2,300 ÷ 2 = $1,150 + $100 = $1,250

The amount of the refund due is the difference between the amount paid to date ($1,250) and the portion of the program charges the institution is allowed to retain ($560). The total amount of the refund is determined as follows:

$1,250 - $560 = $690.

- The next step requires the institution to determine what portion of the total refund ($690) is allocable to the Title IV programs. This is done through the use of the following formula:

$$\text{Refund due} \times \frac{\text{total amount of Title IV aid (minus work earnings) awarded for the payment period}}{\text{total amount of aid (minus work earnings) awarded for the payment period}}$$

Application of this formula yields the Title IV portion of the refund. The calculation follows:

Solution, Student F - continued

$$\$690 \times \frac{\$488(\text{Pell}) + \$1,250(\text{GSL})}{\$488(\text{Pell}) + \$1,250(\text{GSL})}$$

$$\$690 \times \frac{\$1,738}{\$1,738} = \$690$$

Therefore, $690 of the $690 refund is due back to the Title IV programs.

- The final step in the refund calculation requires the attribution of the $690 among the Title IV programs. This is done according to the institution's policy. In this case, the entire $690 would be returned to the GSL lender.

- With the refund calculated and allocated, the next step is to determine if the student received an overpayment. After the institutional charges of $1,250 ($1,150 in tuition and the $100 nonrefundable fee) were satisfied, the student received a cash disbursement of $1,738. In determining if the student received an overpayment, the institution must first make certain that any GSL funds are extracted from the cash disbursement. This institution does not have a prescribed order for applying funds to students' accounts, therefore, the institution must determine the amount of GSL funds in the cash disbursement by calculating the proportion of GSL to total aid. The formula takes into account the amount of GSL the student actually received during the payment period ($2,500 in this case) as oppposed to the amount intended to be awarded for the payment period ($1,250 in this case). This is illustrated by the following:

$$\text{Cash disbursement} \times \frac{\text{total GSL award disbursed in payment period}}{\text{total amount of aid (minus work earnings) disbursed in the payment period}}$$

$$\$1,738 \times \frac{\$2,500}{\$2,988} = \$1,454$$

Thus, the GSL portion of the cash disbursement is $1,454. This amound should be subtracted from the cash disbursement. The result, $284, is the cash disbursement from which any overpayment will be determined.

- The next step is to estimate the other expenses incurred during the period of attendance. The institutional refund policy indicates that living expenses are prorated on a weekly basis. Based upon a weekly schedule of 25 hours per week, and the fact that the student completed 34 hours prior to withdrawal, this student attended approximately 2 weeks. The cost of attendance is predicated on nine months or approximately 36 weeks. Using this information, weekly costs for room and board, personal expenses, and transportation can be determined. These weekly costs, multiplied by the 2 weeks the student was enrolled, are as follows:

Solution, Student F - continued

Room and board	$2,500	÷ 36 =	$69	x 2 =	$138
Transportation	$ 400	÷ 36 =	$11	x 2 =	$ 22
Personal expenses	$1,000	÷ 36 =	$28	x 2 =	$ 56
Total costs incurred for 2 weeks					$216

Further, according to the institutional policy, it is assumed that one-half of the books, supplies, and miscellaneous allowance for the program is incurred at the beginning of each payment period. Thus, this student incurred $150 in these expenses.

This allowance of $150, when added to the student's other living expenses of $216, results in a total of $366 for indirect educational expenses. This exceeds the cash payment of $284, thus there is no overpayment.

- If there had been an overpayment, the portion of the overpayment allocable to the Title IV programs would be determined through use of the following formula:

$$\text{Overpayment} \times \frac{\text{total amount of Title IV aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}{\text{total amount of aid (exclusive of work earnings \& GSL/PLUS) awarded for payment period}}$$

- As with the refund calculation, the final step in the repayment calculation requires the attribution of the overpayment according to the institution's policy.

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